

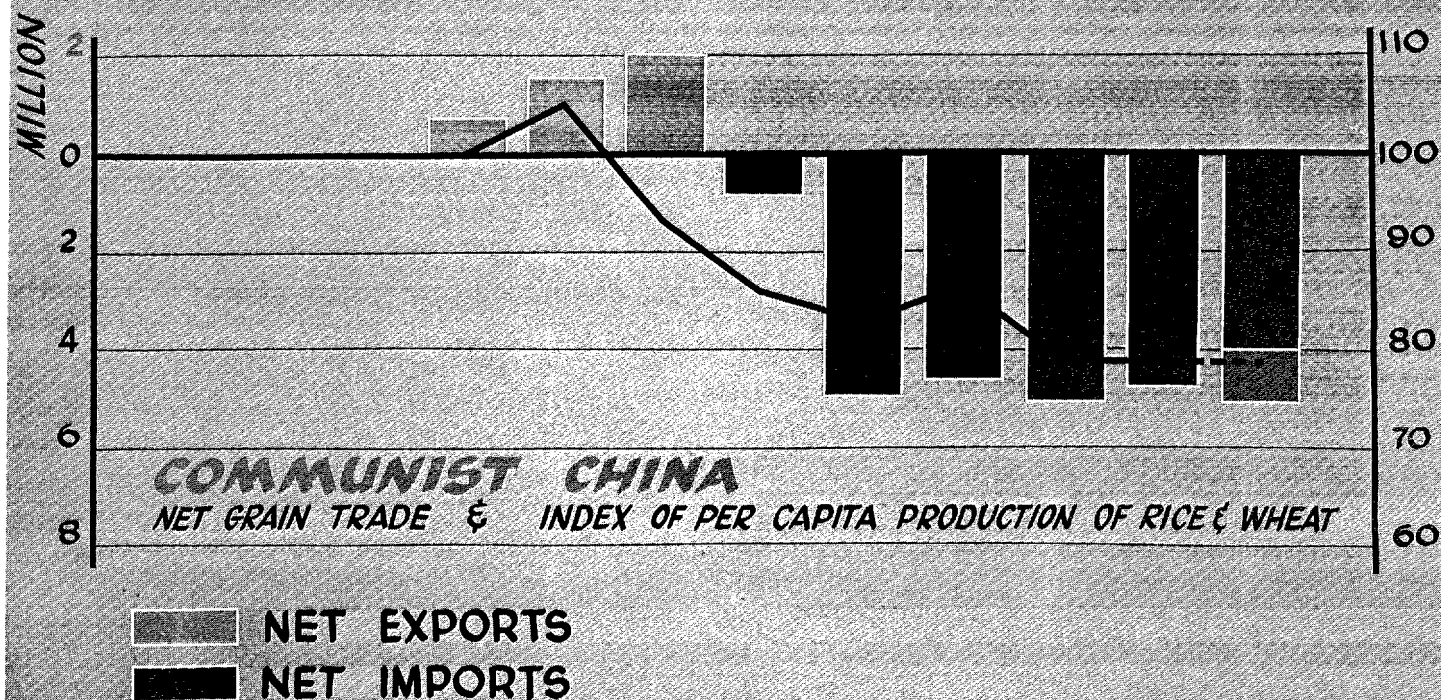
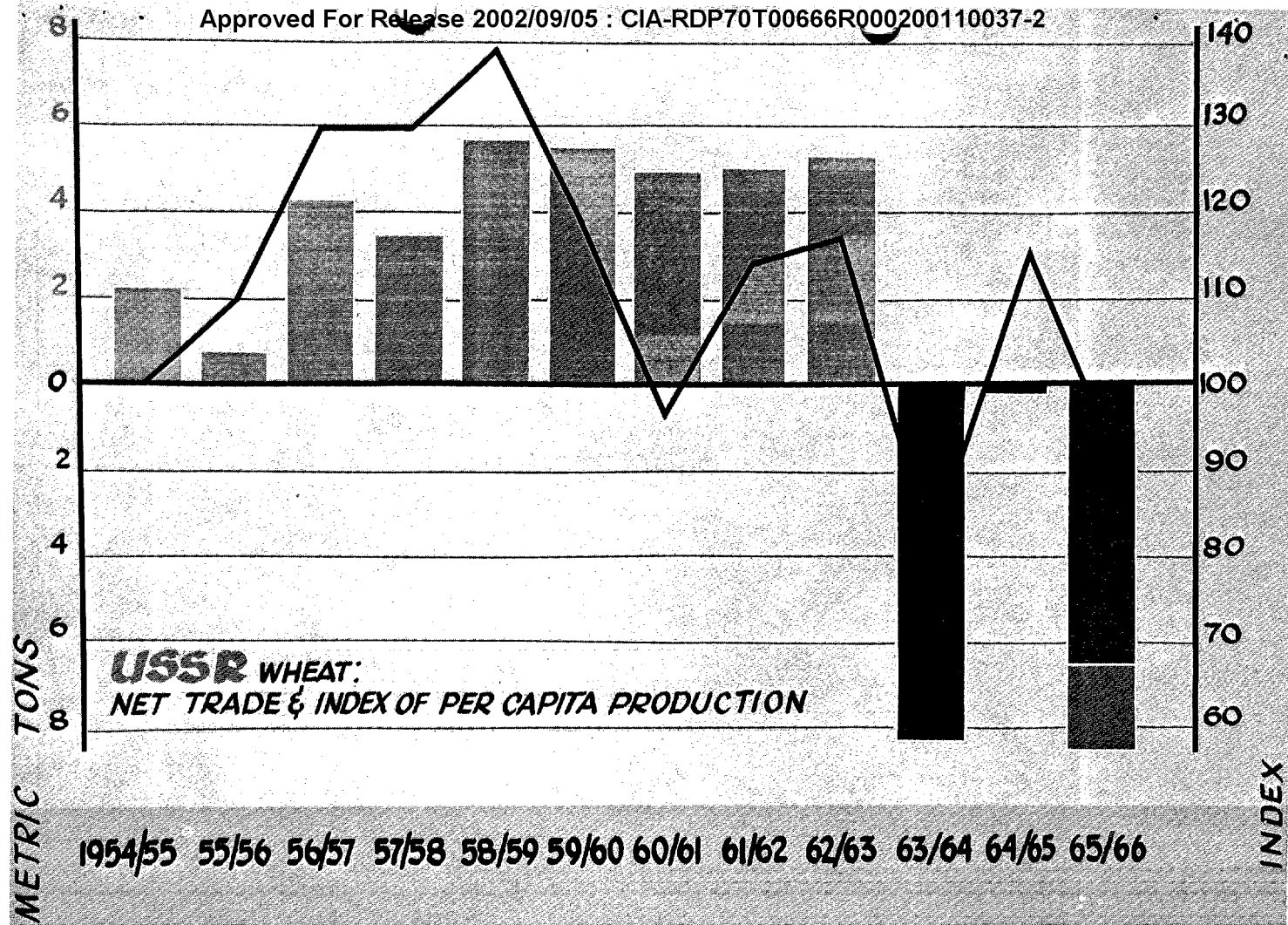
5 Nov 65

Briefing Took place -- 9 Nov

AGRICULTURE IN COMMUNIST COUNTRIES

- I. PROBLEMS RESULTING FROM AGRICULTURAL STAGNATION
 - A. DRAIN ON GOLD AND FOREIGN EXCHANGE RESERVES
 - B. DILEMMA IN INTERNAL RESOURCE ALLOCATION
 - C. CIVIL DISTURBANCES CAUSED BY FOOD SHORTAGE
 - D. DAMAGE TO INTERNATIONAL PRESTIGE
- II. WEAKNESSES IN COMMUNIST AGRICULTURE
 - A. LIMITATIONS IN NATURAL RESOURCES
 - B. ORGANIZATION
 - C. MISMANAGEMENT
- III. REMEDIAL MEASURES UNDERWAY OR PLANNED
 - A. EMPHASIS ON INTENSIFICATION OF AGRICULTURE
(fertilizer, machinery, irrigation)
 - B. HIGHER PRICES AND OTHER INCENTIVES
 - C. RELAXATION OF RESTRICTIONS ON PRIVATE PLOTS
- IV. OUTLOOK
 - A. AGRICULTURAL PROBLEMS EXPECTED TO CONTINUE
 - B. CHINESE OUTLOOK MORE BLEAK THAN SOVIET PROSPECTS
 - C. POSSIBILITY OF CONTINUED GRAIN IMPORTS

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Comparison of Agriculture in the United States and the Communist Countries, 1964

Item	U.S.	USSR	Communist China	Eastern Europe*
Population (million persons at midyear)	192	228	738	101.4
Arable Land - (acres per capita)	2.4	2.5	0.5**	1.2
Tractors on Farms (million 15 hp units)	8.38	2.84	.12	.71
Mineral Fertilizers (pounds per acre of arable land)	46	14	10	61
Number of people supported by one agricultural worker	30	4	2	4
Production (million metric tons)				
Grain	163	120	145-150	44
Potatoes	12.4	93.0	100.0	68.5
Meat	14.8	7.1	5.6***	3.6
Share of grain and potatoes in average diet (percent)	27	60	82	55

* Includes Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

** Includes multiple-cropped land.

*** Does not include poultry meat.

29 OCT 1965

AGRICULTURE IN COMMUNIST COUNTRIES

It has become increasingly clear that the task of providing their populations with an adequate supply of food is probably the most critical problem facing Communist countries. Stagnation in agriculture has seriously dampened economic growth. In the face of continued increases in population, the Communists have had to spend nearly \$1 billion a year in each of the past three years to purchase grain from the West. *By contrast, the U S earns about \$2 billion annually from sales of grain abroad.*

These purchases have not only placed a severe strain on ^{Communist} their reserves of gold and foreign exchange, but both the USSR and China have also been forced to forego an equivalent value of imports of machinery and equipment. Consequently, a severe crimp has been put in plans to modernize industry, particularly in the case of China.

But the severe civil disturbances, particularly well documented in Honan Province, that followed from the severe food shortages of 1960 and 1961 must have convinced Chinese leaders that grain imports were a bedrock necessity. China's outlays have been running over \$400 million a year for Western grain. [The recently signed contracts with Canada covering the next five years are hard evidence that imports are likely to go substantially higher in the future.]

*graphic
to change
ports in
next years*

*hang to
talk*

Similarly, civil disturbances, although less severe, occurred in the USSR following the agricultural crisis in 1963. The subsequent actions of the Soviet leaders show that it is no longer politically possible for them to do as Stalin had done -- to solve the problem of shortages by squeezing the consumer.

The failures in Communist agriculture, and the resultant dependence on Free World grain supplies, have been a blow to the international prestige of these countries. The Soviets and Chinese have been trying to sell their agricultural system to developing countries through heavy propaganda, particularly in Africa. But the latter nations are becoming increasingly aware of the glaring inefficiencies and shortcomings in Communist agricultural methods.

What are some of the major weaknesses in Communist agriculture? First, these countries are not richly endowed with agricultural resources. They occupy roughly one-fourth of the earth's land surface but contain close to one-third of the world's population. Much of the land, moreover, is not suitable for cultivation because of limitations imposed by climate or topography. In the Soviet Union and China, only about 10 percent of the land is arable as opposed to 20 percent in the U.S.

Secondly, the organizational structure in Communist agriculture has been another major weakness. The tremendous size of the collective

and state farms in the Soviet Union has resulted in failures in managerial control. The inability to pin down responsibility has constantly plagued Soviet officials.

Another weakness, mismanagement, has been displayed in a number of ways. Traditionally, agriculture has had a very low priority in the allocation of the economy's resources. The investment and inputs needed to support agricultural growth were not provided. We note that the tractor power on U.S. farms is $2\frac{1}{4}$ times the total in all the Communist countries. Similarly, the U.S. rate of mineral fertilizer application is three times that in the USSR and almost 5 times that in China.

In contrast to the sparing use of capital inputs, Communist agriculture makes lavish use of labor. A lack of incentives, however, *combined with a lack of capital* makes this labor extremely inefficient, ~~and local farm officials have little authority.~~

The weakness in Communist agriculture can be best summarized by a Soviet-U.S. comparison. The USSR, with an arable area about one-fourth larger than the U.S. and with eight times as large an agricultural labor force, produces only about two-thirds to three-fourths as much food and fiber as the U.S.

The leaders in most of the Communist countries now realize that agriculture must be accorded a higher priority than in the past even though this means a diversion of investment funds from higher priority

military and heavy industry goals. Emphasis is being given to intensification of agriculture -- getting higher yields per acre. Increased supplies of mineral fertilizers, pesticides, improved seeds have all been promised along with expanded irrigation facilities and greater economic incentives to farmworkers and managers. In addition, Soviet leaders have relaxed restrictions on the private plots of the farm worker. These tiny plots -- each only one-half to three quarters of an acre -- occupy only about three percent of the total sown area. But they produce an important share of the total output of some important food items such as meat, potatoes and vegetables, and provide a significant share of the farmer's money income.

Within the past year we published a report prepared at the request of Walt Rostow, Chairman of the Policy Planning Council at State, covering future agricultural prospects in the Soviet Union.

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We concluded that Soviet agricultural output

Agriculture continues to have a high priority -- a priority that permits very substantial increases in input plans and the new price incentive promises to Soviet farmers were fertilizer and machinery and continues the new price incentives carried out as outlined by Khrushchev and Brezhnev. Agricultural problems, however, will still remain, and there will be only slight improvement in the quality of the diet, which in the past has been very heavily weighted with grain and potatoes.

Moreover
~~On the other hand,~~ a series of poor weather years bunched together,
in favor of the military or heavy industry
or an "economy drive" against the agricultural sector would probably
require continued grain imports on a large scale.

The outlook for Chinese agricultural production is less promising;
we don't foresee any significant improvement. We believe that the
increases in food supplies necessary to keep pace with population
growth would have to be obtained primarily by increasing the output
of major grain crops. *These* which in turn means a massive chemical fertilizer
program and extensive research *to develop* on responsive strains of rice and wheat.
Such increases will be difficult to achieve and, more importantly,
we see no evidence that the Chinese regime seriously intends to make
the effort. However, the Chinese population growth rate is such
that an additional 4 million tons of grain are required each year
simply to maintain present levels of consumption. While China has
embarked on a massive program of birth control, there is virtually
no prospect in the next five years of it having a significant dampening
effect on rural population growth -- and over 80 percent of the popu-

lation lives in rural areas. *Thus, in conclusion, we feel that while*
~~For this reason China probably will~~
continued grain imports are a possibility for the USSR, they are a
~~become increasingly dependent on imports of grain from the West,~~
virtual certainty for China. We believe that China will
~~which means that her industrial base will grow slowly, and that its~~
become increasingly dependent on imports of grain from the West.
~~technological level will be only that which her limited native capa-~~
In fact, the recently signed agreement with Canada covering
~~ilities can support.~~
the next five years is hard evidence that Chinese imports are
likely to go substantially higher in the future.

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